

Information/Action Item

California Student Aid Commission

Update on state and federal issues and legislation and consideration of positions on bills affecting Commission programs

Included in this agenda item is an update of recent federal actions affecting Title IV financial aid and Cal Grant and a progress update and summary of all state bills for which the Commission has taken a position.

Responsible Person(s): Ed Emerson, Chief
Federal Policy & Programs
Division

Lori Nezhura, Legislative Director
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FEDERAL LEGISLATIVE UPDATE

The White House and Congress reached a deal on Sunday, July 31 to raise the nation's borrowing limit and shrink the federal deficit. By Tuesday morning, August 2, the Budget Control Act of 2011 (Act), passed Congress and was signed into law by President Obama.

The Act provides \$17-billion in mandatory funding for the Pell Grant program for the next two years which should come close to preserving the \$5,550 maximum award amount. However, the Pell grant program is still expected to run a \$1.3 billion shortfall in the current year. In prior years the Pell Program has run a deficit and Congress has passed a supplemental appropriation each time.

The White House said in a fact sheet [Attachment 3.a.1] posted online that the deal was "designed to protect crucial investments like aid for college students," giving "specific protection in the discretionary budget" to ensure that there will be sufficient funding to keep Pell grants at their current level.

The Act does cut some higher education benefits, including the in-school interest subsidy for graduate student loans, a proposal that Obama first put forward in his budget for fiscal year 2012. It also eliminates Direct Loan repayment incentives beginning July 1, 2012.

The remaining spending reductions will be decided on by a Congressional "super-committee" made up of six Representatives and six Senators with an equal split of Democrats and Republicans. If the committee does not reach an agreement by Thanksgiving 2011, or if Congress does not approve a minimum of \$1.2 trillion of the committee's proposals, \$1.2 trillion in cuts will automatically go into effect in 2013, including cuts to defense spending, **domestic discretionary spending** and some entitlement programs. Further discretionary cuts could hit Perkins Loans and the Supplemental Educational Opportunity Grant, as well as TRIO programs that help low-income students prepare for college. The Pell grant program is exempt from these automatic cuts.

Per Commission direction at the April meeting, Commission staff has been working with Congresswoman Matsui and Congressman Miller and their offices to express Commission support for the Pell and SEOG programs and sent a letter to the House Appropriations Committee [Attachment 3.a.2]. Additionally, staff was in communication with Congressman Tierney's office from Massachusetts who was circulating a "Dear Colleague Letter" among members of Congress. Several members of the California Delegation signed on to the letter in support of continued funding for Pell and SEOG [Attachment 3.a.3].

The White House

Office of the Press Secretary

For Immediate Release

July 31, 2011

Fact Sheet: Bipartisan Debt Deal: A Win for the Economy and Budget Discipline

BIPARTISAN DEBT DEAL: A WIN FOR THE ECONOMY AND BUDGET DISCIPLINE

The debt deal announced today is a victory for bipartisan compromise, for the economy and for the American people. The agreement:

- **Removes the cloud of uncertainty over our economy at this critical time**, by ensuring that no one will be able to use the threat of the nation's first default now, or in only a few months, for political gain;
- **Locks in a down payment on significant deficit reduction**, with savings from both domestic and Pentagon spending, and is designed to protect crucial investments like aid for college students;
- **Establishes a bipartisan process** to seek a balanced approach to larger deficit reduction through entitlement and tax reform;
- **Deploys an enforcement mechanism** that gives all sides an incentive to reach bipartisan compromise on historic deficit reduction, while protecting Social Security, Medicare beneficiaries and low-income programs;
- **Stays true to the President's commitment to shared sacrifice** by preventing the middle class, seniors and those who are most vulnerable from shouldering the burden of deficit reduction. The President did not agree to any entitlement reforms outside of the context of a bipartisan committee process where tax reform will be on the table and the President will insist on shared sacrifice from the most well-off and those with the most indefensible tax breaks.

Mechanics of the Debt Deal

- *Immediately enacted 10-year discretionary spending caps generating nearly \$1 trillion in deficit reduction; balanced between defense and non-defense spending.*
- *President authorized to increase the debt limit by at least \$2.1 trillion, eliminating the need for further increases until 2013.*
- *Bipartisan committee process tasked with identifying an additional \$1.5 trillion in deficit reduction, including from entitlement and tax reform. Committee is required to report legislation by November 23, 2011, which receives fast-track protections. Congress is required to vote on Committee recommendations by December 23, 2011.*

- *Enforcement mechanism established to force all parties – Republican and Democrat – to agree to balanced deficit reduction. If Committee fails, enforcement mechanism will trigger spending reductions beginning in 2013 – split 50/50 between domestic and defense spending. Enforcement protects Social Security, Medicare beneficiaries, and low-income programs from any cuts.*

1. REMOVING UNCERTAINTY TO SUPPORT THE AMERICAN ECONOMY

- Deal Removes Cloud of Uncertainty Until 2013, Eliminating Key Headwind on the Economy: Independent analysts, economists, and ratings agencies have all made clear that a short-term debt limit increase would create unacceptable economic uncertainty by risking default again within only a matter of months and as S&P stated, increase the chance of a downgrade. By ensuring a debt limit increase of at least \$2.1 trillion, this deal removes the specter of default, providing important certainty to our economy at a fragile moment.
- Mechanism to Ensure Further Deficit Reduction is Designed to Phase-In Beginning in 2013 to Avoid Harming the Recovery: The deal includes a mechanism to ensure additional deficit reduction, consistent with the economic recovery. The enforcement mechanism would not be made effective until 2013, avoiding any immediate contraction that could harm the recovery. And savings from the down payment will be enacted over 10 years, consistent with supporting the economic recovery.

2. A DOWNPAYMENT ON DEFICIT REDUCTION BY LOCKING IN HISTORIC SPENDING DISCIPLINE – BALANCED BETWEEN DOMESTIC AND PENTAGON SPENDING

- More than \$900 Billion in Savings over 10 Years By Capping Discretionary Spending: The deal includes caps on discretionary spending that will produce more than \$900 billion in savings over the next 10 years compared to the CBO March baseline, even as it protects core investments from deep and economically damaging cuts.
- Includes Savings of \$350 Billion from the Base Defense Budget – the First Defense Cut Since the 1990s: The deal puts us on track to cut \$350 billion from the defense budget over 10 years. These reductions will be implemented based on the outcome of a review of our missions, roles, and capabilities that will reflect the President’s commitment to protecting our national security.
- Reduces Domestic Discretionary Spending to the Lowest Level Since Eisenhower: These discretionary caps will put us on track to reduce non-defense discretionary spending to its lowest level since Dwight Eisenhower was President.
- Includes Funding to Protect the President’s Historic Investment in Pell Grants: Since taking office, the President has increased the maximum Pell award by \$819 to a maximum award \$5,550, helping over 9 million students pay for college tuition bills. The deal provides specific protection in the discretionary budget to ensure that there will be sufficient funding for the President’s historic investment in Pell Grants without undermining other critical investments.

3. ESTABLISHING A BIPARTISAN PROCESS TO ACHIEVE \$1.5 TRILLION IN ADDITIONAL BALANCED DEFICIT REDUCTION BY THE END OF 2011

- The Deal Locks in a Process to Enact \$1.5 Trillion in Additional Deficit Reduction Through a Bipartisan, Bicameral Congressional Committee: The deal creates a bipartisan, bicameral Congressional Committee that is charged with enacting \$1.5 trillion in additional deficit reduction by the end of the year. This Committee will work without the looming specter of default, ensuring time to *carefully consider* essential reforms *without* the disruption and brinksmanship of the past few months.
- This Committee is Empowered Beyond Previous Bipartisan Attempts at Deficit Reduction: Any recommendation of the Committee would be given fast-track privilege in the House and Senate, assuring it of an up or down vote and preventing some from using procedural gimmicks to block action.
- To Meet This Target, the Committee Will Consider Responsible Entitlement and Tax Reform. This means putting all the priorities of both parties on the table – including both entitlement reform and revenue-raising tax reform.

4. A STRONG ENFORCEMENT MECHANISM TO MAKE ALL SIDES COME TOGETHER

- The Deal Includes An Automatic Sequester to Ensure That At Least \$1.2 Trillion in Deficit Reduction Is Achieved By 2013 Beyond the Discretionary Caps: The deal includes an automatic sequester on certain spending programs to ensure that—between the Committee and the trigger—we at least put in place an additional \$1.2 trillion in deficit reduction by 2013.
- Consistent With Past Practice, Sequester Would Be Divided Equally Between Defense and Non-Defense Programs and Exempt Social Security, Medicaid, and Low-Income Programs: Consistent with the bipartisan precedents established in the 1980s and 1990s, the sequester would be divided equally between defense and non-defense program, and it would exempt Social Security, Medicaid, unemployment insurance, programs for low-income families, and civilian and military retirement. Likewise, any cuts to Medicare would be capped and limited to the provider side.
- Sequester Would Provide a Strong Incentive for Both Sides to Come to the Table: If the fiscal committee took no action, the deal would automatically add nearly \$500 billion in defense cuts on top of cuts already made, and, at the same time, it would cut critical programs like infrastructure or education. That outcome would be unacceptable to many Republicans and Democrats alike – creating pressure for a bipartisan agreement without requiring the threat of a default with unthinkable consequences for our economy.

5. A BALANCED DEAL CONSISTENT WITH THE PRESIDENT'S COMMITMENT TO SHARED SACRIFICE

- The Deal Sets the Stage for Balanced Deficit Reduction, Consistent with the President's Values: The deal is designed to achieve balanced deficit reduction, consistent with the values the President articulated in his April Fiscal Framework. The discretionary savings are spread between both domestic and defense spending. And the President will demand

that the Committee pursue a balanced deficit reduction package, where any entitlement reforms are coupled with revenue-raising tax reform that asks for the most fortunate Americans to sacrifice.

- The Enforcement Mechanism Complements the Forcing Event Already In Law – the Expiration of the Bush Tax Cuts – To Create Pressure for a Balanced Deal: The Bush tax cuts expire as of 1/1/2013, *the same date that the spending sequester would go into effect*. These two events together will force balanced deficit reduction. Absent a balanced deal, it would enable the President to use his veto pen to ensure nearly \$1 trillion in additional deficit reduction by not extending the high-income tax cuts.
- In Securing this Bipartisan Deal, the President Rejected Proposals that Would Have Placed the Sole Burden of Deficit Reduction on Low-Income or Middle-Class Families: The President stood firmly against proposals that would have placed the sole burden of deficit reduction on lower-income and middle-class families. This includes not only proposals in the House Republican Budget that would have undermined the core commitments of Medicare to our seniors and forced tens of millions of low-income Americans to go without health insurance, but also enforcement mechanisms that would have forced automatic cuts to low-income programs. The enforcement mechanism in the deal exempts Social Security, Medicaid, Medicare benefits, unemployment insurance, programs for low-income families, and civilian and military retirement.



STATE OF CALIFORNIA

CALIFORNIA STUDENT AID COMMISSION

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Lorena Hernandez, Vice Chair
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Fred Wood

Diana Fuentes-Michel, Executive Director

July 20, 2011

The Honorable Denny Rehberg
Chairman
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
2358-B Rayburn House Office Building
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
1016 Longworth House Office Building
Washington, DC 20515

RE: 2012-13 Pell Grant and Supplemental Educational Opportunity Grant Program Funding

Dear Chairman Rehberg and Ranking Member DeLauro:

The California Student Aid Commission (CSAC) urges your support for current level funding of the Pell Grant program and the continuation of the Supplemental Educational Opportunity Program (known as SEOG). During this time of dire budget cuts to our State's universities and colleges, the cuts to the Pell Grant program and proposed elimination of SEOG places the education of more than 1 million low-income California students at risk.

In California, more than 1 million students depend on Pell Grants to stay in school and on track to obtain their degree or complete career training. The SEOG program assists over 109,000 very low-income students, who are unable to enroll in postsecondary education without significant financial aid support. A total of \$4.3 billion in Pell Grant and SEOG is awarded by California public community colleges, public and private universities and for-profit institutions for students who need it the most. Pell Grants of up to \$5,500 and SEOG grants up to \$4,000, coupled with California's Cal Grant are all critical for students to afford the rising cost of their education.

An immediate and significant added consequence of eliminating the SEOG is that more than 200 California post secondary institutions and their students will be disqualified from receiving more than \$60 million in State Cal Grant financial aid this fall.

Any reduction to student financial aid will harm California students. As you may know, California's public colleges and universities recently adopted more fee increases for this fall. Students have made their college choices and are counting on the aid identified in their financial aid packages. It is critical that financial aid award offers remain intact.

Cuts to the Pell Grant program and elimination of the SEOG will mean fewer college-educated workers and will harm California's economy now and into the future. Without increasing the percentage of California college graduates, by 2025 California will experience a shortage of 1 million college graduates, contributing to the U.S. labor market shortage of 23 million college-educated adults. Graduating more students from college is crucial for maintaining the health and growth of California's economy.

The Commission respectfully asks that you maintain current level funding for the Pell Grant and SEOG programs.

Sincerely,



Diana Fuentes-Michel
Executive Director

CC: The Honorable Jerry Lewis, U.S. House of Representatives
The Honorable Lucille Roybal-Allard, U.S. House of Representatives
The Honorable Barbara Lee, U.S. House of Representatives

July 21, 2011

The Honorable Denny Rehberg
Chairman
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education and Related Agencies
H-307 the Capitol
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education and Related Agencies
1016 Longworth House Office Building
Washington, DC 20515

Dear Chairman Rehberg and Ranking Member DeLauro:

While we understand your challenges and responsibilities as your Subcommittee prepares to consider the Fiscal Year (FY) 2012 Departments of Labor, Health and Human Services, Education and Related Agencies appropriations bill, we urge you to give full and fair consideration to supporting the Federal Supplemental Education Opportunity Grant (SEOG) program within the Department of Education.

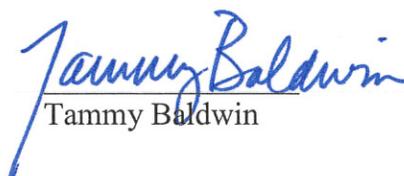
The SEOG program has been in existence since 1972 and is currently serving 1.3 million students who are economically challenged. In part due to the assistance received through SEOG, these students have been able to attend college and graduate.

As you know, the SEOG program is part of the campus-based aid program and funds are distributed through college and university financial aid offices to those who need it the most. Institutions must also contribute 25% of funds in order to receive SEOG funding for their deserving students. There are over 1,700 institutions who have participated in the SEOG program for many decades so that students of need will not be shut out from obtaining a college degree.

As such, we respectfully request that adequate funding be provided for the SEOG program so that this essential program can continue to serve millions of students who are seeking higher education.

Sincerely,

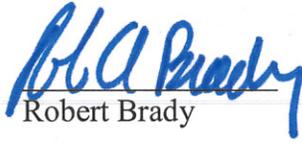

John F. Tierney


Tammy Baldwin


Timothy Bishop

The Honorable Denny Rehberg
The Honorable Rosa DeLauro
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Earl Blumenauer


Robert Brady

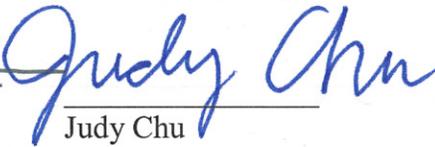

Bruce Braley


Lois Capps


Michael Capuano


Russ Carnahan


Donna M. Christensen


Judy Chu


David N. Cicilline


Hansen Clarke


Steve Cohen


John Conyers


Joe Courtney


Mark Critz


Joseph Crowley


Elijah Cummings


Danny K. Davis

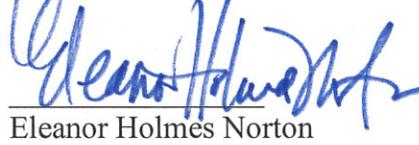

Donna F. Edwards


Eliot Engel


Martin Heinrich


Maurice Hinchey

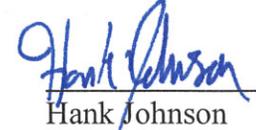

Mazie K. Hirono


Eleanor Holmes Norton

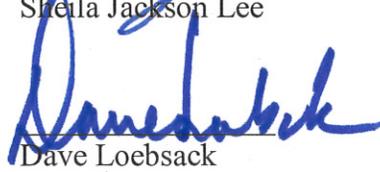

Rush Holt

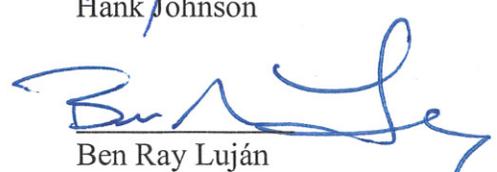

Steve Israel


Sheila Jackson Lee

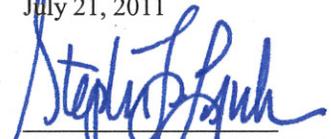

Hank Johnson

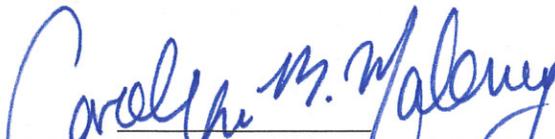

Ron Kind

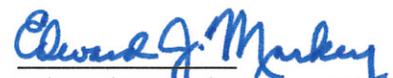

Dave Loebsack


Ben Ray Lujan

The Honorable Denny Rehberg
The Honorable Rosa DeLauro
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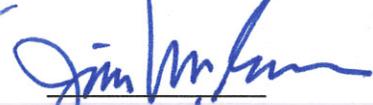

Stephen F. Lynch


Carolyn B. Maloney


Edward J. Markey


Doris O. Matsui


Jim McDermott


James McGovern


Mike McIntyre


Gregory Meeks

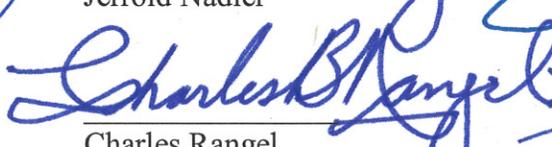

George Miller


Gwen Moore


Jerrold Nadler

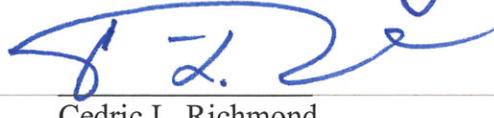

Grace F. Napolitano

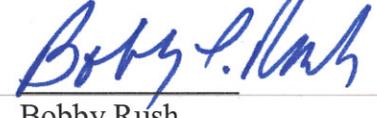

Mike Quigley


Charles Rangel


Silvestre Reyes


Laura Richardson

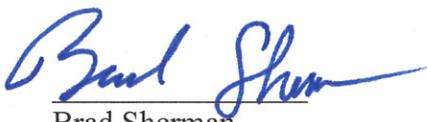

Cedric L. Richmond

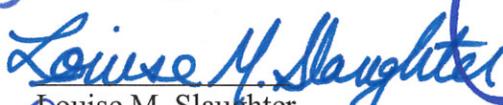

Bobby Rush


Linda Sanchez


Loretta Sanchez

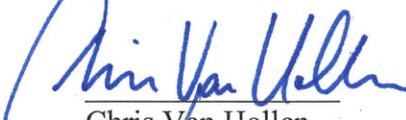

Janice Schakowsky


Brad Sherman

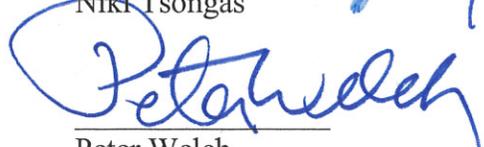

Louise M. Slaughter

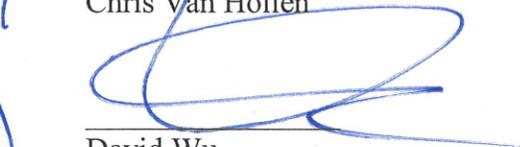

Paul Tonko


Niki Tsongas


Chris Van Hollen


Henry Waxman


Peter Welch


David Wu

STATE LEGISLATIVE UPDATE

The first year of the 2011-12 Legislative Session began on January 3, 2011 and will conclude on September 9, 2011.

- All introduced bills must have passed from the house of origin by June 3, 2011, in order to stay alive for the second year of the session (certain exceptions apply).
- Bills that are currently on suspense files will receive final consideration for advancement on or before August 26, 2011; if they are not removed from the suspense file at that time, they will remain (“held”) in suspense where they will die.
- All live bills not enrolled and sent to the Governor by September 9, 2011, will be carried over to the second year of the 2011-12 Legislative Session and may be taken up when the Legislature returns on January 4.
- The Governor has until October 9, 2011, to sign or veto bills passed to him by the Legislature or they automatically become law.
- Statutes take effect on January 1, 2011.

Following is a snapshot of the current status of 2011 Commission bills as of the preparation of this tab.

Bill No. and Author	Position	House of Origin			Second House			H.O.O. for Concur-rence	Enrolled	Signed by Governor	Status
		Policy Cmte	Fiscal Cmte	Floor	Policy Cmte	Fiscal Cmte	Floor				
AB 91 Portantino	Support										Sen Appropriations Cmte Suspense File
AB 130 Cedillo	Support							N/A			Signed on July 25, 2011
AB 131 Cedillo	Support										Sen Appropriations Cmte Suspense File
AB 1129 Portantino	Sponsor										Inactive in Sen Rules Cmte
SB 451 Price	Support										Assembly Floor 2nd Reading File
SB 760 Alquist	Sponsor										Asm Appropriations Cmte Hearing 8/17
AB 970 Fong	Watch										Asm Floor Inactive File
AB 1273 Grover	Watch										Inactive in Asm Rules Cmte
SB 181 Liu	Watch										Inactive in Sen Education Cmte

COMMISSION BILL SUMMARIES

AB 91 (Portantino) Community Colleges: Student Financial Aid

Summary: Requires the Office of the Chancellor of the California Community Colleges to establish a voluntary pilot program to increase student participation in state and federal financial aid programs.

Commission Position: Support

AB 130 (Cedillo) Student Financial Aid: Eligibility: Dream Act of 2011

Summary: Enacts the California Dream Act of 2011. Allows a non-resident pursuant to AB 540 law (who has attended, for 3 or more years, and graduated from a high school) to apply for and participate in all private scholarship programs administered by the UC, CSU, and, CCC.

Commission Position: Support

AB 131 (Cedillo) Student Financial Aid

Summary: Expands the definition of a student who is exempt from nonresident tuition pursuant to AB 540 law and allows the student to apply for and participate in any student financial aid program administered by the UC, CSU, CCC, and the State to the full extent permitted by federal law.

Commission Position: Support

SB 451 (Price) Student financial aid: Cal Grant C awards

Summary: This bill proposes to give Cal Grant C selection priority to students pursuing high-need, high-growth, high-wage occupations. Assembly amendments expand priority selection to students enrolling in programs at institutions that have high rates of graduation and job placement beginning in 2014-15.

Commission Position: Support

SB 760 (Alquist) Postsecondary education: the Cal Grant Program

Summary: This bill clarifies that the data reporting required by SB 70 of all Cal Grant participating institutions be for Cal Grant-eligible, undergraduate programs only and will commence on December 1, 2013. Also, the bill allows CSAC to collect the required information from other state and federal agencies if that data is deemed sufficient.

Commission Position: Sponsor

AB 970 (Fong) University of California and California State University: systemwide student fees: student financial aid report

Note: This bill was significantly amended on May 27, 2011. It used to be a Cal Grant B bill, now it is a student fee bill.

Summary: Establishes the Working Families Student Fee Transparency and Accountability Act, and establishes various policies relating to student fees and student financial aid and the public universities. Prohibits mandatory systemwide fees from being known as “tuition.” Requires CSAC to provide a one-time report to the Legislature detailing the policies and interactions between various state and federal financial aid programs, including the interaction between systemwide and campus-based student fees, institutional financial aid, and federal financial aid programs.

Commission Position: Watch

AB 1273 (Grove) Boards and Commissions

Summary: States that it is the intent of the Legislature to enact legislation that would codify Governor Arnold Schwarzenegger’s “Governor’s Reorganization Plan 1: Reforming California’s Boards and Commissions” from 2004.

Commission Position: Watch

SB 181 (Liu) Public Postsecondary Education: Student Fee Policy

Summary: Prohibits any increase in the mandatory systemwide fees charged to resident undergraduate students enrolled in the University of California or the California State University from being effective before three months have elapsed after the date on which the fee increase is adopted. Requires the UC Regents and the CSU Trustees to develop methodologies for the “gradual, moderate, and predictable” adjustment of fees in accordance with a prescribed procedure.

Commission Position: Watch
